

CITY OF WHITEWATER, KANSAS

FINANCIAL STATEMENTS

WITH

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2011

George, Bowerman & Noel, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
City Council
City of Whitewater
Whitewater, Kansas

We have audited the accompanying financial statements of the City of Whitewater, Kansas, as of and for the year ended December 31, 2011, and the individual fund financial statements of the City as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Whitewater's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Whitewater, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting as discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Whitewater, Kansas, as of December 31, 2011, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Whitewater, Kansas, as of December 31, 2011, and its cash receipts, cash disbursements and expenditures compared to budget, for the year then ended on the basis of accounting described in Note 1. Also, in our opinion, the individual fund financial statements as of and for the year ended December 31, 2010, present fairly, in all material respects, the unencumbered cash balances and cash receipts and expenditures, on the basis of accounting described in Note 1.

George, Bowlerman & Noel, P.A.

Wichita, Kansas

May 2, 2012

CITY OF WHITEWATER, KANSAS

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2011

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encum- brances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 4,897	\$ -	\$ 256,701	\$ 258,598	\$ 3,000	\$ 2,339	\$ 5,339
Special Revenue Funds:							
Library	2,468	-	11,425	12,288	1,605	-	1,605
Special Highway	445	-	20,665	20,560	550	-	550
Centennial Program	2,128	-	44	-	2,172	-	2,172
Special Projects	-	-	9,502	1,000	8,502	-	8,502
Jail Donations	-	-	129	85	44	-	44
Debt Service Funds:							
Bond and Interest	34,864	-	3	-	34,867	-	34,867
Capital Project Funds:							
Capital Equipment Reserve	1,794	-	-	-	1,794	-	1,794
Capital Improvement Reserve	15,205	-	8,132	10,752	12,585	-	12,585
Whitewater Lakes Debt Service	433	-	-	-	433	-	433
Whitewater Lakes Improvement	1,137	-	-	270	867	-	867
Enterprise Funds:							
Waterworks System	7,753	-	148,409	150,967	5,195	7,140	12,335
Sewage Treatment	5,230	-	114,917	107,423	12,724	304	13,028
Refuse	2,006	-	34,236	35,912	330	2,563	2,893
Water Improvement Reserve	38,019	-	1,371	-	39,390	-	39,390
Sewer Improvement Reserve	23,913	-	20,889	30,889	13,913	-	13,913
Total Primary Government (excluding agency funds)	<u>140,292</u>	<u>-</u>	<u>626,423</u>	<u>628,744</u>	<u>137,971</u>	<u>12,346</u>	<u>150,317</u>
Component Units:							
Whitewater Public Library	18,426	-	46,884	50,701	14,609	-	14,609
Whitewater Park Board	7,091	-	26,285	23,409	9,967	-	9,967
Whitewater Cemetery Board	<u>34,342</u>	<u>-</u>	<u>8,281</u>	<u>2,515</u>	<u>40,108</u>	<u>-</u>	<u>40,108</u>
Total component units	<u>59,859</u>	<u>-</u>	<u>81,450</u>	<u>76,625</u>	<u>64,684</u>	<u>-</u>	<u>64,684</u>
Total Reporting Entity (excluding agency funds)	<u>\$ 200,151</u>	<u>\$ -</u>	<u>\$ 707,873</u>	<u>\$ 705,369</u>	<u>\$ 202,655</u>	<u>\$ 12,346</u>	<u>\$ 215,001</u>

CITY OF WHITEWATER, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

For the year ended December 31, 2011

Composition of cash:

Bank of Whitewater, Whitewater, Kansas:	
General checking now account	\$ 104,161
Certificate of deposit	50,000
Checking account – Centennial Program	163
Certificate of deposit – Centennial Program	424
Certificate of deposit – Centennial Program	930
Certificate of deposit – Centennial Program	<u>655</u>

Total Bank of Whitewater – Total primary government	156,333
Less Agency Funds	<u>(6,016)</u>

Total Primary Government (excluding agency funds)	<u>150,317</u>
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Component Units:

Whitewater Public Library:

Bank of Whitewater, Whitewater, Kansas:	
Checking account – General Fund	2,597
Checking account – Special Fund	2,260
Savings account	5,416
Certificate of deposit	<u>4,336</u>

Total Whitewater Public Library	<u>14,609</u>
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Whitewater Park Board:

Bank of Whitewater, Whitewater, Kansas:	
Checking account	<u>9,967</u>

Whitewater Cemetery Board:

Bank of Whitewater, Whitewater, Kansas:	
Checking account	1,355
Savings account	8,954
Certificate of deposit	5,024
Certificate of deposit	16,470
Certificate of deposit	<u>8,305</u>

Total Whitewater Cemetery Board	<u>40,108</u>
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Total Reporting Entity (excluding agency funds)	<u>\$ 215,001</u>
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The accompanying notes are an integral
part of the financial statements..

CITY OF WHITEWATER, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)

For the year ended December 31, 2011

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General Fund	\$ 278,231	\$ —	\$ 278,231	\$ 258,598	\$ 19,633
Special Revenue Funds:					
Library	14,472	—	14,472	12,288	2,184
Special Highway	20,560	—	20,560	20,560	—
Debt Service Fund:					
Bond and Interest	34,420	—	34,420	—	34,420
Enterprise Funds:					
Waterworks System	164,476	—	164,476	150,967	13,509
Sewage Treatment	126,045	—	126,045	107,423	18,622
Refuse	38,891	—	38,891	35,912	2,979

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance
	Actual			favorable (unfavorable)
Cash receipts:				
Taxes	\$ 186,423	185,485	\$ 187,507	\$ (2,022)
Licenses and permits	31,398	30,327	35,900	(5,573)
Charges for services	4,504	5,260	4,500	760
Fines and forfeitures	255	778	400	378
Interest	677	270	1,200	(930)
Rentals	7,874	7,237	7,337	(100)
Miscellaneous	900	6,890	1,000	5,890
Car Wash Receipts	8,939	7,337	9,000	(1,663)
Reimbursed expenditures	<u>14,594</u>	<u>13,117</u>	<u>18,900</u>	<u>(5,783)</u>
Total cash receipts	<u>255,564</u>	<u>256,701</u>	<u>\$ 265,744</u>	<u>\$ (9,043)</u>
Expenditures:				
General department:				
Personal services	50,141	54,475	\$ 27,500	\$ (26,975)
Contractual services	51,979	27,462	48,000	20,538
Commodities	15,933	22,812	27,000	4,188
Capital outlay	–	–	5,000	5,000
Debt service	<u>–</u>	<u>2,885</u>	<u>–</u>	<u>(2,885)</u>
Total general department	118,053	107,634	107,500	(134)
Employee benefits	20,285	21,942	27,200	5,258
Appropriation to Cemetery Board	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>–</u>
Total general government	<u>144,338</u>	<u>135,576</u>	<u>140,700</u>	<u>5,124</u>
Law enforcement and emergency medical service department:				
Contractual services	<u>30,066</u>	<u>31,785</u>	<u>33,802</u>	<u>2,017</u>
Highways and streets:				
Street department:				
Personal services	–	–	12,500	12,500
Contractual services	24,761	39,937	5,000	(34,937)
Commodities	890	1,424	6,000	4,576
Capital outlay	–	–	4,000	4,000
Debt service	<u>4,983</u>	<u>–</u>	<u>4,983</u>	<u>4,983</u>
Total street department	<u>30,634</u>	<u>41,361</u>	<u>32,483</u>	<u>(8,878)</u>

CITY OF WHITEWATER, KANSAS

GENERAL FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND
CHANGES IN UNENCUMBERED CASH BALANCES –
ACTUAL AND BUDGET
(continued)**

	Year ended December 31,			
	2011			Variance
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	favorable (unfavorable)
Street lighting department:				
Contractual services	\$ 7,066	\$ 7,316	\$ 7,250	\$ (66)
Car wash department:				
Personal services	2,311	2,369	7,500	5,131
Contractual services	3,005	3,351	3,500	149
Commodities	2,508	2,765	3,800	1,035
Capital outlay	<u>—</u>	<u>—</u>	<u>500</u>	<u>500</u>
Total car wash department	<u>7,824</u>	<u>8,485</u>	<u>15,300</u>	<u>6,815</u>
Total highways and streets	<u>45,524</u>	<u>57,162</u>	<u>55,033</u>	<u>(2,129)</u>
Culture and recreation:				
Library Board expenditures	1,759	1,952	2,079	127
Library Board appropriations	24,849	24,608	22,297	(2,311)
Park Board expenditures	9,977	6,015	—	(6,015)
Park Board appropriations	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>—</u>
Total culture and recreation	<u>38,085</u>	<u>34,075</u>	<u>25,876</u>	<u>(8,199)</u>
Nondepartmental:				
Transfers to other funds	<u>—</u>	<u>—</u>	<u>22,820</u>	<u>22,820</u>
Total expenditures	258,013	258,598	<u>\$ 278,231</u>	<u>\$ 19,633</u>
Expenditures over cash receipts	(2,449)	(1,897)		
Unencumbered cash balance, beginning of year	<u>7,346</u>	<u>4,897</u>	<u>\$ 12,487</u>	<u>\$ (7,590)</u>
Unencumbered cash balance, end of year	<u>\$ 4,897</u>	<u>\$ 3,000</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

LIBRARY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			Variance favorable (unfavorable)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Taxes	\$11,515	\$11,425	<u>\$11,545</u>	<u>\$ (120)</u>
Expenditures:				
Appropriation to Library Board	<u>12,240</u>	<u>12,288</u>	<u>\$14,472</u>	<u>\$ 2,184</u>
Expenditures over cash receipts	(725)	(863)		
Unencumbered cash balance, beginning of year	<u>3,193</u>	<u>2,468</u>	<u>\$ 2,927</u>	<u>\$ (459)</u>
Unencumbered cash balance, end of year	<u>\$ 2,468</u>	<u>\$ 1,605</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

SPECIAL HIGHWAY FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts:				
Motor fuels tax	\$ 21,583	\$ 20,665	\$ 20,560	\$ 105
Expenditures:				
Personal services	–	–	\$ 13,750	\$ 13,750
Contractual services	21,295	9,820	–	(9,820)
Commodities	–	–	1,810	1,810
Debt service	–	10,608	–	(10,608)
Transfers out	–	132	5,000	4,868
Total expenditures	<u>21,295</u>	<u>20,560</u>	<u>\$ 20,560</u>	<u>\$ –</u>
Cash receipts over expenditures	288	105		
Unencumbered cash balance, beginning of year	<u>157</u>	<u>445</u>	<u>\$ –</u>	<u>\$ 445</u>
Unencumbered cash balance, end of year	<u>\$ 445</u>	<u>\$ 550</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

CENTENNIAL PROGRAM FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Interest	\$ 44	\$ 39
Expenditures:		
Capital outlays	<u>—</u>	<u>—</u>
Cash receipts over expenditures	44	39
Unencumbered cash balance, beginning of year	<u>2,128</u>	<u>2,089</u>
Unencumbered cash balance, end of year	<u>\$ 2,172</u>	<u>\$ 2,128</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

SPECIAL PROJECTS FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Franchise fees	\$ 9,502	\$ —
Expenditures:		
Contractual services	<u>1,000</u>	<u>—</u>
Cash receipts over expenditures	8,502	—
Unencumbered cash balance, beginning of year	<u>—</u>	<u>—</u>
Unencumbered cash balance, end of year	<u>\$ 8,502</u>	<u>\$ —</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

JAIL DONATIONS FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations	\$ 129	\$ —
Expenditures:		
Contractual services	<u>85</u>	<u>—</u>
Cash receipts over expenditures	44	—
Unencumbered cash balance, beginning of year	<u>—</u>	<u>—</u>
Unencumbered cash balance, end of year	<u>\$ 44</u>	<u>\$ —</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

DEBT SERVICE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts:				
Taxes	\$ 444	\$ 3	<u>\$ —</u>	<u>\$ 3</u>
Expenditures:				
Principal	<u>—</u>	<u>—</u>	<u>\$ 34,420</u>	<u>\$ 34,420</u>
Cash receipts over expenditures	444	3		
Unencumbered cash balance, beginning of year	<u>34,420</u>	<u>34,864</u>	<u>\$ 34,420</u>	<u>\$ 444</u>
Unencumbered cash balance, end of year	<u>\$ 34,864</u>	<u>\$ 34,867</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

CAPITAL EQUIPMENT RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ —	\$ —
Expenditures:		
Capital outlay	<u> —</u>	<u> —</u>
Cash receipts over expenditures	—	—
Unencumbered cash balance, beginning of year	<u>1,794</u>	<u>1,794</u>
Unencumbered cash balance, end of year	<u>\$ 1,794</u>	<u>\$ 1,794</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

CAPITAL IMPROVEMENT RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 8,132	\$ —
Expenditures:		
Capital outlays	<u>10,752</u>	<u>—</u>
Expenditures over cash receipts	(2,620)	—
Unencumbered cash balance, beginning of year	<u>15,205</u>	<u>15,205</u>
Unencumbered cash balance, end of year	<u>\$12,585</u>	<u>\$15,205</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

WHITEWATER LAKES DEBT SERVICE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Use of money & property	\$ —	\$ —
Expenditures:		
Contractual services	<u> —</u>	<u> —</u>
Cash receipts over expenditures	—	—
Unencumbered cash balance, beginning of year	<u> 433</u>	<u> 433</u>
Unencumbered cash balance, end of year	<u>\$ 433</u>	<u>\$ 433</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

WHITEWATER LAKES IMPROVEMENT FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Proceeds from sale of general obligation bonds	\$ —	\$ 230,000
Special assessments	—	28,622
Use of money and property	<u>—</u>	<u>165</u>
Total cash receipts	<u>—</u>	<u>258,787</u>
Expenditures:		
Contractual services	270	7,085
Capital outlay	—	86,223
Debt service:		
Temporary note principal	—	270,000
Temporary note interest	<u>—</u>	<u>7,440</u>
Total expenditures	<u>270</u>	<u>370,748</u>
Expenditures over cash receipts	(270)	(111,961)
Unencumbered cash balance, beginning of year	<u>1,137</u>	<u>113,098</u>
Unencumbered cash balance, end of year	<u>\$ 867</u>	<u>\$ 1,137</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

WATERWORKS SYSTEM FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
	<u>Actual</u>			
Cash receipts:				
Charges for services	\$ 139,908	\$145,079	\$149,000	\$ (3,921)
Use of money and property	391	294	250	44
Sales tax	1,021	1,100	1,300	(200)
Miscellaneous	<u>26</u>	<u>1,936</u>	<u>50</u>	<u>1,886</u>
 Total cash receipts	 <u>141,346</u>	 <u>148,409</u>	 <u>\$150,600</u>	 <u>\$ (2,191)</u>
 Expenditures:				
Personal services	42,021	43,569	\$ 59,500	\$ 15,931
Contractual services	16,068	14,488	20,000	5,512
Commodities	71,090	89,319	77,000	(12,319)
Sales tax remittances	–	1,499	1,200	(299)
Debt service	4,983	721	4,983	4,262
Transfers to reserve funds	<u>10,000</u>	<u>1,371</u>	<u>1,793</u>	<u>422</u>
 Total expenditures	 <u>144,162</u>	 <u>150,967</u>	 <u>\$164,476</u>	 <u>\$ 13,509</u>
 Expenditures over cash receipts	 (2,816)	 (2,558)		
Unencumbered cash balance, beginning of year	<u>10,569</u>	<u>7,753</u>	<u>\$ 13,876</u>	<u>\$ (6,123)</u>
 Unencumbered cash balance, end of year	 <u>\$ 7,753</u>	 <u>\$ 5,195</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

SEWAGE TREATMENT FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
Cash receipts:				
Charges for services	\$112,846	\$114,860	\$ 121,500	\$ (6,640)
Miscellaneous	<u>1,889</u>	<u>57</u>	<u>150</u>	<u>(93)</u>
Total cash receipts	<u>114,735</u>	<u>114,917</u>	<u>\$ 121,650</u>	<u>\$ (6,733)</u>
Expenditures:				
Personal services	41,504	42,179	\$ 44,000	\$ 1,821
Contractual services	17,019	15,222	21,500	6,278
Commodities	1,411	1,412	3,500	2,088
Debt service	51,866	20,721	56,000	35,279
Transfers to reserve funds	<u>10,000</u>	<u>27,889</u>	<u>1,045</u>	<u>(26,844)</u>
Total expenditures	<u>121,800</u>	<u>107,423</u>	<u>\$ 126,045</u>	<u>\$ 18,622</u>
Cash receipts over (under) expenditures	(7,065)	7,494		
Unencumbered cash balance, beginning of year	<u>12,295</u>	<u>5,230</u>	<u>\$ 4,395</u>	<u>\$ 835</u>
Unencumbered cash balance, end of year	<u>\$ 5,230</u>	<u>\$ 12,724</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

REFUSE FUND

STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	Year ended December 31,			
		2011		
	2010			Variance
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	favorable (unfavor- able)
Cash receipts:				
Charges for services	<u>\$32,853</u>	<u>\$34,236</u>	<u>\$38,000</u>	<u>\$ (3,764)</u>
Expenditures:				
Contractual services	31,638	34,593	\$33,191	\$ (1,402)
Commodities	600	319	1,500	1,181
Transfers out	<u>—</u>	<u>1,000</u>	<u>4,200</u>	<u>3,200</u>
Total expenditures	<u>32,238</u>	<u>35,912</u>	<u>\$38,891</u>	<u>\$ 2,979</u>
Cash receipts over (under) expenditures	615	(1,676)		
Unencumbered cash balance, beginning of year	<u>1,391</u>	<u>2,006</u>	<u>\$ 891</u>	<u>\$ 1,115</u>
Unencumbered cash balance, end of year	<u>\$ 2,006</u>	<u>\$ 330</u>		

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

WATER IMPROVEMENT RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 1,371	\$ 10,000
Expenditures:		
Contractual services	<u>—</u>	<u>—</u>
Cash receipts over expenditures	1,371	10,000
Unencumbered cash balance, beginning of year	<u>38,019</u>	<u>28,019</u>
Unencumbered cash balance, end of year	<u>\$ 39,390</u>	<u>\$ 38,019</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS

SEWER IMPROVEMENT RESERVE FUND

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 20,889	\$ 10,000
Expenditures:		
Debt service	<u>30,889</u>	<u>4,000</u>
Cash receipts over (under) expenditures	(10,000)	6,000
Unencumbered cash balance, beginning of year	<u>23,913</u>	<u>17,913</u>
Unencumbered cash balance, end of year	<u>\$ 13,913</u>	<u>\$23,913</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS –
ALL AGENCY FUNDS

Year ended December 31, 2011

	Beginning Cash Balance January 1, <u>2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash Balance December 31, <u>2011</u>
Payroll Withholding Fund	<u>\$ 4,760</u>	<u>\$ 42,560</u>	<u>\$ 41,304</u>	<u>\$ 6,016</u>

The accompanying notes are an integral
part of the financial statements.

CITY OF WHITEWATER, KANSAS
NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The City operates under a Mayor-Council form of government consisting of a Mayor and five council persons and provides services to its citizens in the areas of highways and streets, water, sewer and refuse utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

These financial statements present the City of Whitewater, Kansas, (the primary government) and its component units. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The component units discussed in the following paragraphs are included in the City's reporting entity because the primary government is considered financially accountable or the economic resources received and held by the separate organization is entirely for the direct benefit of the primary government.

A five-member board appointed by the Mayor with approval by the City Council governs the Whitewater Park Board. The Whitewater Park Board is reported as if it were part of the primary government because its sole purpose is to administer recreation programs for the City. The primary funding for the Whitewater Park Board is provided through appropriations from the City's General Fund and from user fees.

A seven-member board appointed by the Mayor with approval by the City Council governs the Whitewater Cemetery Board. The Whitewater Cemetery Board is reported as if it were part of the primary government because its sole purpose is to maintain the Whitewater Cemetery. The primary funding for the Whitewater Cemetery Board is provided through appropriations from the City's General Fund and from the sale of lots.

A seven-member board appointed by the Mayor with approval by the City Council governs the Whitewater Public Library Board. The Whitewater Public Library Board operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs and donations.

The City's component units do not issue separate financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Description of funds

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with state statutes, several different types of funds and account groups are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:

Governmental fund types

General fund – The general fund is used to account for all financial resources not accounted for and reported in another fund.

Special revenue funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service fund – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Proprietary fund types

Enterprise funds – Enterprise funds are used to account for operations where it is the stated intent that costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary fund types

Agency funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Basis of accounting

The financial statements are presented on the statutory basis of accounting. The statutory basis is a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles (GAAP) and allowing the municipality to use the statutory basis of accounting.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Departure from generally accepted accounting principles

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense and liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for land, buildings, infrastructure and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

Budgetary principles

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. A legal operating budget is not required for the Capital Equipment Reserve, Capital Improvement Reserve, Centennial Program, Special Projects, Jail Donations, Whitewater Lakes Improvement Project, Whitewater Lakes Debt Service, Whitewater Public Library, Whitewater Park Board and Whitewater Cemetery funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budgeted amounts in the budgetary basis financial statements represent the original amounts as adopted by the governing body.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year, except for capital project fund appropriations, which are carried forward until such time as the project is completed or terminated.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

Cash and short-term investments

Cash and short-term investments include amounts in money market accounts and certificates of deposit. Cash deposits are reported at a carrying amount that approximates fair value. Interest income is credited to the Whitewater Lakes Improvement Fund and Waterworks Utility Fund based on their average monthly balances and the Centennial Program fund based on specific investments of that fund. All other interest earnings are credited to the General fund.

Compensated absences

The City's policies regarding vacation permits one week vacation, forty hours pay at the employee's regular base pay rate, after completing one year of continuous service and two weeks vacation after completing two years of continuous service. There is no policy as to the maximum accumulation of such amounts. Full-time employees earn one working day of sick leave for each full month of service up to ten days per year. Sick leave is allowed to accumulate up to a maximum of ninety days. Policies require the cancellation of accumulated sick pay on date of employment termination.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension plan

All full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERS), which is a cost sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs as accrued; such costs to be funded are determined annually by the system's actuary.

Concentration of credit risk

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. This credit is collateralized with security deposits from slow paying customers.

Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

2. DEPOSITS AND INVESTMENTS

Deposits and investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold City funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation (FDIC) coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. All of the City's deposits are with the Bank of Whitewater.

2. DEPOSITS AND INVESTMENTS (continued)

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, Kansas.

At December 31, 2011, the City's carrying amount of deposits was \$156,333 and the bank balances were \$156,036. The bank balances were held by one bank resulting in a concentration of credit risk. The bank balances were entirely covered by FDIC insurance at December 31, 2011. In addition, the City had collateral securities held by the pledging financial institution's agents in the City's name for which the fair value of the pledged securities held by the custodial bank was \$227,905 at December 31, 2011.

The City's component units' cash and investments at December 31, 2011 consisted of checking, savings and certificate of deposit accounts. At year-end, the carrying amount of the City's component units' deposits were \$64,684 and the bank balances were \$67,223, which were entirely covered by federal depository insurance.

3. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2011, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds, Series A 2004	4.50-4.50	9-22-04	\$857,200	9-22-44	\$ 804,111	\$ -	\$10,330	\$ 793,781	\$ 36,185
General Obligation Bonds, Series B 2004	4.75-4.75	9-22-04	77,800	9-22-44	73,238	-	895	72,343	3,479
General Obligation Bonds, Series 2010	3.25-5.00	8-15-10	230,000	9-1-26	230,000	-	-	230,000	-
Tractor/Backhoe Lease-Purchase	4.75	9-20-05	54,896	9-20-11	10,257	-	10,257	-	351
Pickup truck Lease-Purchase	5.64	8-20-08	15,303	9-20-11	<u>8,076</u>	<u>-</u>	<u>3,926</u>	<u>4,150</u>	<u>401</u>
Total contractual indebtedness					1,125,682	-	25,408	1,100,274	40,416
Compensated absences					<u>1,937</u>	<u>4,051</u>	<u>2,489</u>	<u>3,499</u>	<u>-</u>
Total long-term debt					<u>\$1,127,619</u>	<u>\$ 4,051</u>	<u>\$ 27,897</u>	<u>\$1,103,773</u>	<u>\$ 40,416</u>

3. LONG-TERM DEBT (continued)

General obligation bonds

The Series A 2004 bonds and Series B 2004 bonds were purchased by the United States Department of Agriculture – Rural Development pursuant to a loan agreement with the City to provide financing for the City's wastewater lagoon improvement project. The Series A 2004 bonds and Series B 2004 bonds may be called for redemption at any time at their par value plus accrued interest thereon to the redemption date.

The debt service payments for the Series A 2004 bonds and the Series B 2004 bonds will be financed through the Sewage Treatment Fund through user charges.

The Series 2010 bonds in the principal amount of \$230,000 dated August 15, 2010, bearing interest from 3.25 % to 5.00%, were issued for permanent financing related to improvements in the Whitewater Lakes residential housing addition.

Remaining debt service requirements for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes. The annual debt service requirements for the outstanding general obligation bonds at December 31, 2011 is as follows:

Year	Series A 2004			Series B 2004			Series 2010		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 10,703	\$ 35,720	\$ 46,423	\$ 929	\$ 3,437	\$ 4,366	\$ –	\$ 19,233	\$ 19,233
2013	11,290	35,239	46,529	983	3,392	4,375	5,000	9,408	14,408
2014	11,805	34,730	46,535	1,030	3,345	4,375	15,000	9,157	24,157
2015	12,344	34,199	46,543	1,080	3,297	4,377	15,000	8,408	23,408
2016	12,814	33,644	46,458	1,123	3,245	4,368	15,000	7,732	22,732
2017	13,492	33,067	46,559	1,186	3,192	4,378	15,000	7,095	22,095
2018	14,107	32,460	46,567	1,243	3,136	4,379	15,000	6,495	21,495
2019	14,751	31,825	46,576	1,303	3,077	4,380	15,000	6,008	21,008
2020	15,337	31,161	46,498	1,357	3,015	4,372	15,000	5,482	20,482
2021	16,124	30,471	46,595	1,431	2,950	4,381	20,000	4,920	24,920
2022	16,859	29,746	46,605	1,500	2,882	4,382	20,000	4,120	24,120
2023	17,628	28,987	46,615	1,572	2,811	4,383	20,000	3,320	23,320
2024	18,354	28,194	46,548	1,640	2,736	4,376	20,000	2,520	22,520
2025	19,270	27,368	46,638	1,727	2,658	4,385	20,000	1,680	21,680
2026	20,149	26,501	46,650	1,810	2,576	4,386	20,000	840	20,840
2027	21,069	25,594	46,663	1,897	2,490	4,387	–	–	–
2028	21,961	24,646	46,607	1,982	2,400	4,382	–	–	–
2029	23,032	23,658	46,690	2,084	2,306	4,390	–	–	–
2030	24,083	22,621	46,704	2,184	2,207	4,391	–	–	–
2031	25,182	21,537	46,719	2,289	2,103	4,392	–	–	–
2032	26,274	20,404	46,678	2,394	1,995	4,389	–	–	–
2033	27,529	19,222	46,751	2,515	1,881	4,396	–	–	–
2034	28,785	17,983	46,768	2,636	1,762	4,398	–	–	–
2035	30,099	16,688	46,787	2,763	1,636	4,399	–	–	–
2036	31,429	15,333	46,762	2,892	1,505	4,397	–	–	–
2037	32,906	13,919	46,825	3,036	1,368	4,404	–	–	–
2038	34,407	12,438	46,845	3,182	1,224	4,406	–	–	–
2039	35,977	10,890	46,867	3,335	1,072	4,407	–	–	–
2040	37,593	9,271	46,864	3,493	914	4,407	–	–	–
2041	39,334	7,579	46,913	3,664	748	4,412	–	–	–
2042	41,128	5,809	46,937	3,840	574	4,414	–	–	–
2043	43,005	3,958	46,963	4,025	392	4,417	–	–	–
2044	44,961	2,023	46,984	4,218	200	4,418	–	–	–
	<u>\$ 793,781</u>	<u>\$ 746,885</u>	<u>\$ 1,540,666</u>	<u>\$ 72,343</u>	<u>\$ 72,525</u>	<u>\$ 144,868</u>	<u>\$ 230,000</u>	<u>\$ 96,418</u>	<u>\$ 326,418</u>

3. LONG-TERM DEBT (continued)

Year	Total – All General Obligation Bonds		
	Principal	Interest	Total
2012	\$ 11,632	\$ 58,390	\$ 70,022
2013	17,273	48,039	65,312
2014	27,835	47,232	75,067
2015	28,424	45,904	74,328
2016	28,937	44,621	73,558
2017	29,678	43,354	73,032
2018	30,350	42,091	72,441
2019	31,054	40,910	71,964
2020	31,694	39,658	71,352
2021	37,555	38,341	75,896
2022	38,359	36,748	75,107
2023	39,200	35,118	74,318
2024	39,994	33,450	73,444
2025	40,997	31,706	72,703
2026	41,959	29,917	71,876
2027	22,966	28,084	51,050
2028	23,943	27,046	50,989
2029	25,116	25,964	51,080
2030	26,267	24,828	51,095
2031	27,471	23,641	51,112
2032	28,668	22,399	51,067
2033	30,044	21,103	51,147
2034	31,421	19,745	51,166
2035	32,862	18,324	51,186
2036	34,321	16,838	51,159
2037	35,942	15,287	51,229
2038	37,589	13,662	51,251
2039	39,312	11,962	51,274
2040	41,086	10,185	51,271
2041	42,998	8,327	51,325
2042	44,968	6,383	51,351
2043	47,030	4,350	51,380
2044	49,179	2,223	51,402
	<u>\$ 1,096,124</u>	<u>\$ 915,830</u>	<u>\$ 2,011,954</u>

Capital lease obligations

During 2005, the City entered into an agreement for the purchase of a tractor/backhoe with its financial institution in the amount of \$54,896. The agreement provides for semiannual payments in the amount of \$5,311, including principal and interest, through September 2011. The tractor/backhoe lease was fully retired in 2011.

During 2008, the City entered into a lease agreement for the purchase of a pickup truck with its financial institution in the amount of \$15,303. The agreement provides for semiannual payments in the amount of \$2,164, including principal and interest, through August 2012. The remaining annual requirement to amortize the pickup truck capital lease obligation outstanding at December 31, 2011 consists of \$4,150 of principal and \$177 of interest for a total of \$4,327, due in 2012.

These leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum lease payments at the date of the lease inception. The lease payments are allocated among the General, Special Highway, Waterworks Utility and Sewer Utility funds.

4. WATER AND SEWER REPLACEMENT RESERVES

Applicable state statutes permit the governing body to legally restrict a portion of operating revenue to be used for future replacement of the water and sewer systems. The Water Improvement Reserve Fund and Sewer Improvement Reserve Fund represent assets legally restricted for future water and sewer system replacements.

5. PENSION PLAN

Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603.

Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employer prior to July 1, 2009 and at 6% for new participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for the period from January 1, 2011 to December 31, 2011 was 7.74%. Included in this rate is the contribution for the Group Death and Disability Insurance of 1.0%, which from April 1, 2011 through June 30, 2011 there was a moratorium on the collection thereof. The City's contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$9,987, \$9,277, and \$8,250, respectively, equal to the statutory required contributions for each year.

6. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2011 capital project authorizations compared with project expenditures from inception are as follows:

	<u>Project Authorizations</u>	<u>Expenditures Project Inception to December 31, 2011</u>
Whitewater Lakes Addition Project (includes the Debt Service Fund)	\$ 421,166	\$ 257,967

7. INTERFUND TRANSFERS

Interfund transfers during 2011 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Special Highway	\$ —	\$ 132
Capital Improvement Reserve	8,132	—
Waterworks System	—	1,371
Sewage Treatment	—	27,889
Refuse	—	1,000
Water Improvement Reserve	1,371	—
Sewer Improvement Reserve	<u>20,889</u>	<u>—</u>
Totals	<u>\$ 30,392</u>	<u>\$ 30,392</u>

8. OTHER POST EMPLOYMENT BENEFITS

The City does not provide for any post employment benefits in the form of group health insurance or other insurance plans.

9. CONTINGENCIES

The City is the defendant in a suit regarding claim for injuries sustained regarding a fall on a City sidewalk. Management represents that the City will vigorously defend this action and is represented by legal counsel provided by the City's insurance carrier. Management represents that any potential liability incurred by the City will not be significant to the City's financial statements.

10. FUND RECLASSIFICATIONS

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, became effective for periods beginning after June 15, 2010. GASB Statement No. 54 provides for clarification of the definitions of the general fund, special revenue fund type, capital projects fund type and permanent fund type. As a result, the Capital Equipment Reserve Fund and Capital Improvement Reserve Fund have been reclassified from a special revenue fund type to a capital project fund type for 2011.

11. COMPARATIVE DATA

The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide for comparison with 2011 and are not intended to present all information necessary for a fair presentation in accordance with the statutory basis of presentation. Certain amounts for 2010 have been reclassified to conform to the 2011 presentation.